The financing of family farming
in the context of liberalisation
What can be the contribution
of microfinance?

ATP – Cirad 41/97

THEME SYNTHESIS

THEME 4

WHAT MODES OF INTERVENTION CAN STRENGTHEN THE CONTRIBUTION OF MICROFINANCE TO THE FINANCING OF AGRICULTURE ?

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January 2002

International workshop – 21/24 janvier 2002, Dakar, Sénégal

Introduction

Although the fields of intervention of aid for development have changed considerably over the past 15 years, support for agricultural development remains a major investment for most donors. Agricultural modernisation issues are still important: the covering of food requirements in the southern countries, foreign currency earnings by export crops, participation in the economic development of rural zones, contribution to reducing rural exodus, etc. The financing of agriculture remains a strong constraint in the modernisation process. The institutional innovations in decentralised financial services or 'microfinance' during the past 15 years have only partially removed the constraint. By dismantling the remaining public agricultural financing systems, liberalisation is giving the question of financing renewed acuteness. As a result of the weak decentralisation of banks and the drastic reduction in public funding, microfinance is the only supply of financial services accessible to rural populations and farming households in many rural areas. However, microfinance systems provide only a very partial response to the financing needs of agricultural activities (cf. introductory synthesis and Workshop 1). The question is put to all the stakeholders in agricultural development: farmers' organisations are testing different paths of involvement in financing (Workshop 5), political officials are addressed (Workshop 6); donors, and especially those with a specifically rural mandate (IFAD, UNCDF, etc.) and development operators (NGOs, specialised operators in the north and the south, etc.) are wondering about modes of intervention that might lead to the supplying of sustainable financial services suited to the needs of agriculture.

This note is aimed at shedding light on the question using the situation in West Africa. It is based on work performed within the framework of or in relation with the CIRAD CERISE research programme and on the work of donors (GTZ's contribution to the seminar, 1996 and 2001 evaluations of IFAD's operations in microfinance) The first part consists of a brief historical reminder of the evolution of modes of intervention in rural financing since the independences. The second part is an analysis of the main current modes of intervention of donors in rural financial services with regard to their effect on the financing of agricultural activities. Paths for the improvement of the contribution of microfinance to the financing of agriculture are outlined in the third part.

I – **The evolution of the mode of financing of agricultural and rural activities after the independences in West Africa**

11. The financing of agriculture by banks and development projects

Three main modes of intervention were tested in West Africa in the two decades following the independences[1]: the distribution of credit via general-purpose development institutions, credit from agricultural banks and credit components in development projects.

[1] Von Pischke, J.D., Adams, D.W., Gordon, D., 1983. *Rural Financial Markets in Developing Countries. Their Use and Abuse.* Economic Development Institute of the World Bank.

Lebreton, 1989. *Les banques agricoles en Afrique de l'Ouest.* CCCE, Notes et Etudes n° 24

In the first generation of rural financing systems set up after the independences, the distribution of credit was performed by a public institution (of the general development bank or development company type and more rarely by a banking institution) and the reception of credit was entrusted to the co-operative sector. Credit aimed at agriculture and more specifically cash crop farming was essentially short-term and used to promote a crop, a technique or a technical package; the same institutions provided the credit and extension function for producers. Loan funds transited via numerous institutional and technical intermediaries and reached producers with difficulty; credit monitoring was practically non-existent and collection pressure was low. Most of these first generation financial systems failed in the 1970s because of unsupportable levels of repayment defaulting and serious management inadequacy. The failure of this intervention method was attributed to the state-controlled character and lack of 'banking culture' of the institutions awarding credit and also to the weakness of the co-operative structures receiving credit.

The failure of the general-purpose institutions led to the setting up of specialised institutions—agricultural banks. However, the intermediary financing system adopted was finally not very different to the previous pattern: an agricultural bank upstream distributed credit to public agricultural management structures (regional development boards, semi-nationalised companies, etc.). The latter awarded loans to individual farmers, farmers' organisation and co-operatives. The credit awarded was still limited to the agricultural sector and, after the failure of several attempts at diversification (fishing, craft industries), rapidly became focused on cash crops whose integrated management system limited the risks of default. Short-term and medium-term loans were awarded (mainly for animal traction). The interest rates were low and subsidised to favour rural investment. Savings services were little developed as the transaction costs of the collection of savings was high and not very compatible with the low loan interest rates applied.

In the 1980s, the agricultural banks were faced with high default rates and management failures that caused their increased indebtedness with regard to the central bank. Most of the agricultural banks in West Africa were in liquidation or being rehabilitated at the end of the 1980s. Although the causes of the failures may have been conjunctural (with the severe droughts in the Sahel zones in 1983 and 1984), they were structural above all. Credit remained concentrated on agriculture and cash crops and responded poorly to the real requirements of rural households. The 'technical packages' to which most of the loans awarded were linked were often inapplicable or not very profitable under small farming conditions. Credit distribution via development bodies formed a screen between the bank and the beneficiary, causing the latter to be less responsible. The financial and institutional packages were defective, with low interest rates that could not assure the financial equilibrium of the agricultural bank, inappropriate guarantee systems, decentralisation problems and defective bank management.

As the agricultural bank system concentrated on cash crop production zones, leaving many areas without access to financing, a credit function developed in parallel with development projects. Based on the same loan awarding principles (targeted loans combined with technical packages, often subsidised, managed by the same structures as those providing agricultural extension services), these credit systems were often defective and structurally incapable of providing sustainable financing for the rural world.

12. A new paradigm: the emergence of decentralised financing systems

In the face of this and within the framework of a general liberalisation movement in the economies of southern countries, new forms of institutions were developed in the 1980s, referred to as '*systèmes financiers décentralisés*' (SFD) ('decentralised financial systems', DFS) in the French-speaking world and as 'microfinance' in English-speaking areas.

A liberal approach underlaid these institutional innovations, in which the 'agricultural credit' concept considered as an input in the previous production process was abandoned to the benefit of the more overall concept of 'rural financial market'[2]. The objective was no longer to promote sectorial credit but to enhance the development and fluidity of financial services within the framework of a 'rural capital market'. 'Rural credit' was just one financial instrument among others forming the overall intermediary financial system with less constraints, more sustainable and more broadly developed, that linked households to the macroeconomic sphere ('financial deepening'[3]). A consensus gradually emerged around the three concepts that form the base of this approach: 'sustainable financial market - efficient intermediary financing – viable, autonomous financial institutions'. In this approach, the liberalisation of the financial market must lead to the optimum allocation of resources. This strictly liberal pattern was then adjusted under the pressure of the facts. Indeed, observation of the development of financial systems shows in practice that the use of market forces alone does not necessarily ensure good functioning. Research was then directed to taking market imperfections into account[4] (transaction costs, asymmetric and incomplete information, risks, etc.). Now, the agricultural sector in the southern countries is particularly concerned by these imperfections (costs, uncertainties with regard to production, covariant risks, etc.). In concrete terms, this conceptual change is leading on the one hand to devoting development efforts to the creation of institutions capable of sustainably providing rural populations with access to financial services responding to their real requirements and constraints. On the other, it makes the beneficiary of financing services responsible by giving him free choice of the item for which credit is used; it is up to him to provide a form of guarantee and repay the loan at a cost close to the real cost of money[5].

[2] Adams, D.W., 1991. *Comment établir des marchés financiers ruraux durables? In* Finance et développement en Afrique de l'Ouest, Ouagadougou, October 1991. CIRAD.

[3] Shaw, E.S., 1973. *Financial Deepening in Economic Development*. Oxford University Press.

[4] Hoff, K., Braverman, A., Stiglitz, J.E., 1993. *The Economics of Rural Organization. Theory, Practice, and Policy*. World Bank.

[5] In a logic of financial equilibrium, the cost of credit must include the cost of the financial resource (local savings, money borrowed on the financial markets or subsidised resources, etc.) + the transaction cost (cost of collection of the loan by the institution) + the cost of the risk borne.

II – What are the main types of intervention of donors to support microfinance and the financing of agricultural activities?

The support for rural and agricultural financing in West Africa was first provided by the main bilateral donors: AFD and the Ministry of Foreign Affairs (France), GTZ and KFW (Germany), DCC (Switzerland) and ACDI and USAID (United States). Japan has performed on-off interventions. Support from multilateral donors (the European Union, IFAD, UNCDF, the World Bank, UNDP, ADB and CGAP) has strengthened in recent years, with some of them displaying a targeted interest in microfinance.

1. The maintaining of support for agricultural banks and the financing of integrated product sectors

The three agricultural banks that pursued their activities in West Africa (in Mali, Burkina Faso and Senegal) were still supported by bilateral donors, with French aid strongly present. These agricultural banks played a major role in the financing of integrated sectors (cotton, rice in Mali until the beginning of the 1990s, groundnuts and rice in Senegal, etc.). They are requested today to continue the partnership with the liberalised cash crop production sectors. Although the financing of the agroindustrial links of these sectors does not raise problems of specific intermediary banking, the banks are much more cautious with regard to financing production and question the nature of the partners and the way in which loans are to be guaranteed as soon as credit is not guaranteed by a collection monopoly.

With the support of donors, agricultural banks have explored partnership with microfinance institutions (technical, institutional and financial partnership) or have internalised microfinance functions (linkage) (cf. Workshop 3). Although the results of these partnerships are contrasted, the link between agricultural banks and the microfinance sector is essential for the future and is one of today's only alternatives for financing agricultural production and, more specifically, cash crops.

2. Agricultural or integrated development projects with a credit component still exist

The limits of this mode of intervention, the heritage of two decades of trial and error in agricultural credit, are now well known. They consist of targeted, subsidised credit that does not meet the requirements of households and does not succeed in giving the borrower a sense of responsibility, payment collection difficulties resulting in numerous defaults and the deterioration of mentalities as regards credit, lack of sustainability of financial resources, etc.

Even if most donors today support the consensus on good practices in matters of financial services, this type of intervention has not completely disappeared in West Africa. Some older projects initiated before the generalisation of the 'good practices' are still running. Some donors continue to promote them for lack of sufficient culture; among the latter, the new decentralised co-operation donors are particularly little-informed about the evolution of rural financing practices and apply outdated patterns that can be extremely harmful for the setting up of sound dynamics in rural financing.

The remaining projects with a credit component are mainly trying to institutionalise the latter. However, this is a difficult procedure and there are numerous failures. In most cases, a seriously deteriorated credit situation has to be corrected before any prospect of institutionalisation: substantial, old non-settled payments, substandard information systems that give a confused view of the credit portfolios, poorly identified misappropriation, absence of sanctions, etc. This correction requires a great effort over a long period and is difficult to manage for project teams. As the institutional pattern has not been designed from the beginning of the action, it is often difficult to define it satisfactorily *a posteriori*. In many cases, the initial credit system was not designed with a view to financial viability and the constraints required to attain this could not be supported by the system and the beneficiaries. Finally, competent, motivated human resources are often lacking. The initial project teams with general development skills are generally little specialised in financing and sometimes wish to acquire training in this field often considered as being unrewarding. Furthermore, even when it is for the management of a co-operative movement, institutionalisation needs an enterprising spirit that does not form part of the profile of the project personnel.

3. The creation of microfinance institutions became a favourite implement in the 1980s

Support for the creation of microfinance institutions and, in rarer cases—the rehabilitation of old institutions (FECECAM in Benin for example)—was the main mode of intervention in the financing of economic activities between 1985 and 1995. In a context in which 'the injection of agricultural credit' had clearly shown its limits, it was desired to promote innovative institutions capable of sustainably providing financial services adapted to the diversity of the requirements of households. Support for rural microfinance was considerable in West Africa, including the underprivileged Sahel zones.

The objective was no longer the specific funding of agriculture but the promotion of the diversified economic activities of populations and to give the means to develop income-generating activities to vulnerable categories (women, young people, etc.) but that had strong potential. Innovation and experiments were encouraged. International references were mobilised and adapted to the African context (co-operative organisations, European and North American mutual organisations, Asian innovations (of the Grameen Bank type), etc.), and new institutional forms were developed (CVECA, etc.). Support from donors directly targeted the financial systems and essentially took the form of technical support and the opening of credit lines. Partnership with the agricultural banks was encouraged. Technical support was provided mainly by northern operators.

Microfinance began to generate world-wide enthusiasm at the beginning of the 1990s and, through a subtle conceptual slide, the development tool for private initiative also became a key tool for fighting poverty. In West Africa, after a first phase of cautious experimentation (1985-1990), microfinance systems multiplied and developed. Most stakeholders were taken with growth euphoria and stress was laid on the scope of the MFIs (credit portfolios gained volume, the number of beneficiaries increased, networks gained in geographical size, etc.). The enthusiasm gained donors who were not traditionally involved in the sector. Projects—that were not yet institutions—increased in number in the field and the rate of awarding of credit lines became a criteria of performance for certain donors. As a result, certain zones displayed strong, little-regulated competition between microfinance systems, with very damaging results (the bankruptcy of institutions, household indebtedness). Paradoxically, this competition was not necessarily focused on the richest zones. For example, the Soum, an underprivileged Sahel zone in northern Burkina Faso experienced a period in which some 20 financial systems tried to develop in the same regions.

The strong development of the sector stimulated general-purpose operators in both the north and the south. Numerous NGOs developed microfinance activities, with varied degrees of professionalism.

What effects did this euphoric period have on the financing of agriculture?

The major contribution of this period was the creation of a fabric of diversified financial systems significantly developed in the rural environment. The effort devoted to innovation enabled the development and the beginning of the stabilisation of several 'models' of financial systems adapted to different types of situation. Credit unions took the greater share in this fabric, but more decentralised alternative models (village banks, joint guarantee systems, etc.) also developed. A new economic sector emerged and affirmed its ability to contribute to rural economic development.

Several microfinance systems developed with an agricultural vocation. In most cases, this vocation was based on a guaranteed agricultural situation related to integrated sectors (Kafojiginew and FECECAM with the cotton sector) or irrigated perimeters (CVECA, Office du Niger) or in relations with specific sectors and organisations (e.g. green pepper growers at Gada in Niger). However, in this initial period the financing of agriculture was no longer a major preoccupation for the promoters of microfinance.

4. In the storm of the end of the 1990s, intervention was concentrated on the attainment of financial autonomy and refocused on support for the existing financial systems

The references and objectives evolved from 1993/94 onwards, when growth euphoria was at its peak. The preoccupation with sustainability began to be dominant and donors' efforts gradually became concentrated on the financial performance of the microfinance systems: the attainment of financial equilibrium, balance sheet structure, financial soundness and consolidation of own funds with a view to autonomy. Although growth and scope were still objectives to be attained, great stress was laid on financial profitability criteria. Under pressure from donors and from the legal framework that became established during this period (1995-1996), the main microfinance networks strongly incorporated this profitability objective and refocused on the zones, populations and activities capable of ensuring the profitability of financial services. This resulted in a significant reorientation of the microfinance systems towards cities, rural towns and a few rural zones benefiting from a secure, profitable economic context and the better-off socioprofessional categories (shopkeepers, civil servants, etc.).

During the same period, the microfinance euphoria was tempered by the observation of the difficulty of creating viable institutions. In 1999, the date of the last exhaustive census available, few institutions in West Africa had achieved full financial autonomy. It was estimated that approximately 40% of the 272 MFIs recorded had attained operational autonomy (R. Chao Beroff, 2001). Financial autonomy seemed increasingly difficult to attain. The professionalisation of institutions is a long, difficult process—it is a new job that has to be developed—and requires long-term accompaniment (8 to 10 years for most of the institutions).

In West Africa, the end of the 1990s was also marked by serious governance crises in the large MFI networks. These led to substantial defaulting and institutional blockages that were difficult to solve and compromised the institutionalisation process, leading in some cases to MFI bankruptcies that were also harmful for the institutions that supported them.

All these factors led to strongly tempering donors' enthusiasm for the creation of new financial systems. As the demand for financial systems remained strong, a fair number of donors refocused their intervention strategy on the support of existing financial systems 'that had proved themselves'. Few MFIs meet these conditions in each country. Two or three institutions are therefore approached systematically to cover new zones, open new points of access to services and provide new loan products suited to the zones and the target populations. In some cases, the MFI is even invited to take over the credit portfolio of the institution previously supported by the donor and even recover the outstanding payments in the portfolio! Forms of support by donors vary: credit line, subsidy for opening new premises or for equipment and possibly support in staff recruitment.

This change in donor strategy raises numerous problems. Few MFIs are likely to meet the conditions and, in spite of their satisfactory performances, often remain very fragile, with a precarious financial equilibrium, inadequate and insufficiently trained staff, management tools suited at best to their present size but not necessarily capable of responding to strong growth, precarious governance, etc. In most cases, even these experienced institutions require financial consolidation and the issue of growth is still important for them. All these factors mean that they will not refuse an offer of funds enabling extension, even if they made a lucid examination of the difficulties involved in this 'artificial growth'. This very frequently results in serious short-term difficulties: saturated work capacity, staff dispersed over areas that are too large leading to decreased effort in loan portfolio monitoring, increased overheads, etc. Another serious problem that may be faced by these MFIs is incoherence in methodologies. The donor calling upon them applies an intermediation model that he considers to be suitable but that may be very remote from the practice and experience of the MFI. The latter accepts it with the 'contractual package' but often without mastering it and without effective adaptation to the real context of the zone. An obligatory loan awarding rate and the taking over of the portfolio of previous outstanding debts that are found in certain contracts may form other factors in the destabilisation of MFIs.

The priority awarded to the short-term financial autonomy objective and the refocusing of support on existing MFIs is leading today to the gradual withdrawal of MFIs from underprivileged zones and concentration on a limited number of intermediation models. The innovation effort forming the foundation of the initial development of microfinance is now considerably tempered by the aim to make institutions profitable and secure. Innovation is nonetheless still essential for meeting the financing requirements of rural economic and farming activities.

5. Considerable efforts devoted to structuring the microfinance sector

Support from bilateral donors since the mid-1990s has been oriented towards the sectorial structuring of microfinance (ACDI, AFD, GTZ, USAID, etc.), and multilateral donors are making an increasingly active contribution (IFAD , World Bank, etc.). The sectorial structuring of microfinance has been undertaken with the development of a legal framework (the 'PARMEC law', 1993-1996) and its application by ministries of finance under the supervision of the Central Bank of West African States. It is continuing today with the gradual forming of professional organisations of microfinance institutions (8 in West Africa: Burkina Faso, Niger, Mali, Côte d'Ivoire, Togo) and the defining of political orientations through national microfinance strategies (these exist in Burkina Faso, Mali, Togo and Niger). Some countries benefit from sectorial support programmes for microfinance (Burkina Faso and Niger) that enable concerted support for the different components of the sector: one-off support for individual MFIs, the development of joint sectorial services (training, auditing, monitoring, etc.), support for the consolidation of professional associations, support for the microfinance units of the supervisory ministries, etc.

The effects on the financing of agriculture are indirect, with the consolidation of certain MFIs and the development of sectorial tools that can improve the functioning of the MFIs involved in agriculture, etc. However, efforts are focused more broadly on making MFIs autonomous and professional than on concerns that can lead to the re-emergence of agricultural demand with reflection on the improvement of the supply of services in relation to the diversity of demand, the financing of underprivileged zones, etc.

There is little scope for intersectorial dialogue today. The legal institutionalisation process of MFIs entrusted to ministries of finance has often resulted in difficult relations with the ministries of agriculture or rural development that previously handled many loan projects. Concertation between professional structures in different sectors (e.g. professional associations of MFIs and farmers' organisations) is extremely limited for the moment.

Some openings do exist however. The feasibility studies for sectorial support programmes (PDSFR in Niger for example) have often included in-depth economic appraisals that reveal unmet demand for financial services, specific sectorial constraints, the problems of financing in underprivileged zones, etc. These studies show the problems of the financing of agricultural activities in a new light. Likewise, these programmes include research/action components that make it possible to go more thoroughly into these questions.

6. Donor support for the structuring of the agricultural sector is not connected with microfinance support actions

Even when they are supported by the same donors, there are few links between programmes for the professionalisation of agriculture and microfinance support programmes. The question of the financing of individual or joint agricultural activities is nevertheless a recurrent one in the modernisation of agriculture. Several components of professionalisation programmes show this: farm management support activities (management advice) clearly show the financing constraints; support for the consolidation of farmers' organisations comes up against questions of financing. Some donors and operators directly confronted with these questions are innovating by supporting the creation of sector-lined microfinance structures (coffee-cocoa growers' credit unions backed by the NGO SOCODEVI and by AFD in Togo, for example).

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Without risk of exaggeration, it can therefore be concluded from this rapid analysis that the evolution of intervention modes in microfinance and the priority awarded to the financial consolidation of institutions have led to separation from the problems of the financing of agricultural activities. The microfinance and agriculture sectors are now strongly compartmentalised and scope for inter-sectorial dialogue is reduced both at the local level (little dialogue between MFIs and farmers' organisations in the field) and at the national level (no concertation between professional institutions). Economic liberalisation in agriculture raises the question of the necessary partnership between the two sectors with new sharpness.

III - What intervention modes can improve the contribution of microfinance to the financing of agriculture?

In her review of the actions of IFAD in rural financing in West and Central Africa (2001), R. Chao Beroff gives a view of the evolution of the microfinance sector over the next 10 years. After two decades of all-out development in terms of zones and types of clientele, microfinance strategies are now settling and market segmentation is in operation and will continue. The main credit unions and the loan systems targeting very small enterprises will develop towards banking structures (credit establishments or co-operative banks whose shareholders are credit unions) and concentrate on cities and a few rural towns with secure economic activities. A large market remains, that of the rural zones abandoned by the rapidly profitable MFIs of the 1980s and 1990s and the zones devoted to food crops and rural pluriactivity which, although enclaved and under-equipped today, nevertheless have a major role to play in decentralised economic development. R. Chao Beroff estimates that this market represents 50 million potential workers in West Africa and concludes that, beyond this market opportunity that can become solvent for microfinance institutions under certain conditions, there would remain only 10 to 20% marginal, scattered populations for whom financial services are of no utility.

What paths could be explored to adapt microfinance to this market sector whose agricultural activities are a determinant component ?

1. Reaffirm that the function of financing must be addressed from the economic and financial point of view and rendered autonomous in specific institutions

Even if most donors today support the principle of 'good practices' recommending the clear separation of financing and all other development support functions, this principle must be reasserted and above all shared with the non-financial institutions confronted with the question of financing (farmers' organisations, support NGOs in the south and the north, decentralised co-operation organisations, etc.).

The adopting of this principle does not exclude farmers' organisations from the creation of financing facilities but sets out the basis for an intervention method: the design of an institution that is from the start independent of the 'mother' farmers' organisation, the defining of a mode of institutionalisation from the start of the action, etc. (Workshop 5).

2. Continue to support the development of microfinance and promote its diversity

The diversity of microfinance can make an important contribution to the financing of agriculture: financing individual activities by season loans, medium-term loans, at least the partial financing of the economic activities of farmers' organisations, development of self-financing capacity by suitable savings services, etc.

It must become professional in order to do this, while still remaining close to the development problems of the populations with which it works. It must become integrated in the financial market and develop relations with the banking sector. It must extend its networks and make them denser and adapt its products and procedures. Even if the sector is moving towards financial autonomy, it still needs support. Sectorial support is an appropriate response to the problems of professionalisation, training and management. However, individual support for the development of MFIs will remain necessary, in particular in the zones to be 'conquered'.

3. Renew efforts in innovation to create appropriate intermediation models

Targeting the rural zone market sector requires the adapting of the forms of intermediation used. The innovation effort underlying the beginnings of microfinance must be renewed to make it possible to develop new models, adapt existing models, adapt products and procedures, enhance the decentralisation and appropriation processes favouring the social viability of MFIs and limiting transaction costs.

The research/action approach that this requires is difficult for MFIs alone to handle individually. Sectorial actions (support for associations of MFIs, sectorial support programmes) provide a favourable framework for this type of procedure. Partnership with national research structures (universities, research centres, research NGOs, etc.) should be promoted to create national specialised research skills and also to reduce the cost of research/action.

4. Improve the tools and procedures for guaranteeing loans

The risk related to agricultural activities is one of the major constraints of involvement of MFIs in the financing of agriculture. It is also one of the major issues of the 'privatisation' of the financing of the major production chains. How can the previous loan guarantee system be replaced (by deductions at the harvest stage)?

Different paths based on the changing of the forms of co-ordination between stakeholders are beginning to be explored (Workshop 2 of the seminar) and should be gone into more thoroughly:

mutual guarantee society, jointly managed guarantee fund, new forms of contract (securing by warrant, warehouse receipt financing, etc.), credit information exchange systems.

5. Promoting methods and tools to bring the agricultural sector and the microfinance sector closer to each other

The poor mutual knowledge of the two sectors is a key limit to their partnership today. Tools enabling the improvement of management and the production of information concerning agricultural activities and holdings and farmers' organisations would bring the two sectors closer. More incorporation of reflection on financing in management advice, creating bridges between the management advice groups and the MFIs and using the results of management advice in MFIs are all paths that deserve to be explored (cf. the communication on management and communication on service centre projects in Workshop 4).

6. Enhance meetings and dialogue between the agricultural and microfinance sectors

Dialogue must be encouraged at all levels in the sector:
- at the base at farm and MFI level (by the management board for example);
- at organisation level by inter-sectorial dialogue becoming possible as the two sectors become structured;
- in support programmes through reciprocal information and training actions and through concerted research/action work;
- at public authority level by greater dialogue between the ministries of finance and of agriculture;
- in the defining of public policies (Workshop 6 of the seminar).

7. Adapt donor intervention modes

The various points already mentioned are features for the adapting of intervention modes. Four more overall features should be added:

- better training of the personnel of donors and of northern and southern operators in the problems and practice of microfinance and the specific features of the financing of agriculture;

- enhanced concertation between donors operating in the same area and providing support in the microfinance and agricultural sectors;

- promotion of financing tools that are better adapted to the constraints of microfinance and the financing of agriculture: long duration tools (10-12 year programmes) with no interruption and with regular evaluation procedures to enable readjustment and adaptation to the rate of evolution of populations;

- enhancing the establishment of confidence and continuity in partnerships between donors and their operators.